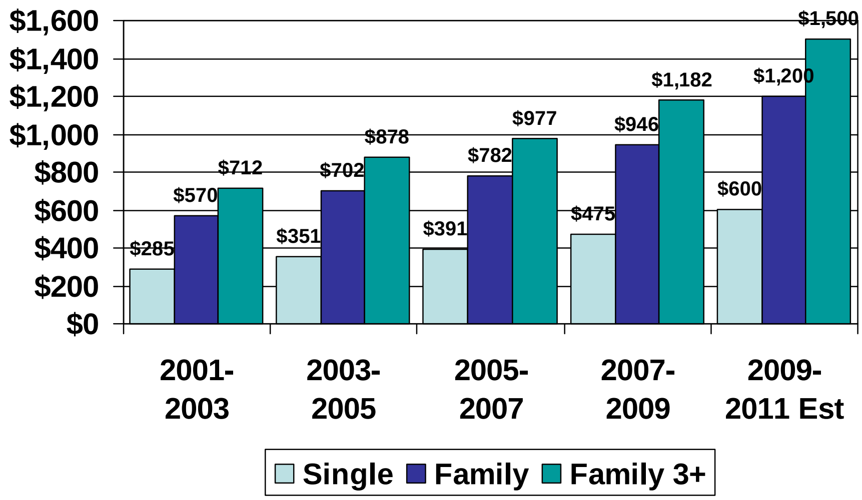
Testimony of
Sparb Collins
on
House Bill 1120

Madame Chair, members of the committee, good morning. My name is Sparb Collins and I am Executive Director of the North Dakota Public Employees Retirement System or PERS. I appear before you today on behalf of the PERS Board and in support of this bill.

House Bill 1021 is a bill intended to amend section 54-52.1-02 of the North Dakota Century Code (Act) relating to non Medicare retiree insurance rates under the uniform group insurance program. The Non Medicare retiree rates is for those members who retire before age 65 and former legislators who elect this health coverage. Presently we have almost 800 contracts in this group. Under the proposed bill, the insurance rate for a non Medicare retiree choosing single coverage is to be 130% of the active member single plan rate. Currently, non Medicare retiree rates are 150% of the active member single plan rate. The bill also provides an expiration date of June 30, 2011 for the Act.

To get a better understanding of why the bill is proposed the following table shows a history of the Non Medicare retiree rate and an estimate of the rate increase for 2009-2011:

NDPERS Non-Medicare Premiums



As the above demonstrates, the rate has gone up substantially and will continue that rise in 2009-2011.

If this bill is passed, the rates for 2009-2011:

PreMedicare Rate

	Existing NDCC*	Proposed NDCC*
Single	$ 600	$ 520
Family	$1,200	$1,040
+3 Family	$1,500	$1,300

Estimated

The benefit of the bill is it will reduce the rates for this group for the next biennium. The financial effect to PERS is that it will reduce the premium income from the group by about $1.9 million over the next two years below the premium requirements. This means PERS will need to add to our risk the cost of this premium change. That is, PERS will need to subsidize these premiums. We are in a position to do this for two years. We do not know if we can beyond that date, therefore, the bill's provision expires in two years. At that time the rating method would return to the present method unless additional action is taken.

Consequently, this proposal will provide two years relief on the rates. That means that in 2011 rates would go up to the level proposed here and higher depending on the rate increase at that time.

This bill was reviewed during the interim by the Legislative Employee Benefits Committee and given a favorable recommendation. This concludes my testimony.